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Top Barriers and Drivers to SME Internationalisation

OECD Centre for Entrepreneurship, SME and Local Development (CFE)

FOREWORD

This report presents the main findings of work undertaken in 2007-2008 by the OECD Working Party on SMEs and Entrepreneurship in the framework of its activity on SME Internationalisation.

The document was prepared by Prof. Lester Lloyd-Reason and Brynn Deprey (Anglia Ruskin University, United Kingdom) and Prof. Kevin Ibeh (University of Strathclyde, United Kingdom). Mariarosa Lunati of the OECD Centre for Entrepreneurship, SMEs and Local Development (CFE) coordinated the work.

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EXECUTIVE SUMMARY

Internationalisation and international entrepreneurship among small and medium-sized enterprises (SMEs) is a topic of considerable relevance, principally owing to the observed growth effects of cross-border venturing, and the demonstrated capacity of SMEs to drive economic development at national, regional, and global levels. This realisation was at the heart of an OECD-APEC study on Removing Barriers to SME Access to International Markets, which provided general findings on the major barriers to SME internationalisation as perceived by SMEs and policymakers in OECD and APEC member economies (OECD, 2008). The need to obtain a greater depth of understanding and an updated view of the issues raised by the OECD-APEC study provided a *raison d'être* for a follow-up project. Other value adding features include the additional focus on motivations for SME internationalisation; the coverage of recently available documentation from economies involved in the OECD enlargement and enhanced engagement process; and the sub-national and sectoral insights offered on SME internationalisation barriers, motivations and support programs.

Key findings that emerged from the analysis of the study evidence are:

- Limited firm resources and international contacts as well as lack of requisite managerial knowledge about internationalisation have remained critical constraints to SME internationalisation. These resource limitations, especially of a financial kind, seem particularly prevalent among smaller, newly internationalising. SMEs from particular sectors and regions also appear to face particular international barriers.

- Growth and knowledge-related motives are influential in driving SME internationalisation. Growth-related factors appear to be increasingly important to SMEs, reflecting their rising appreciation of the international pathways and associated opportunities for future business growth. SMEs' stock of knowledge resources and quest to leverage knowledge assets residing in external actors also seem to respectively push and pull them into international markets.

- Factors within the external environment of SMEs, including network and supply chain links, social ties, immigrant links, improved global trade infrastructure, and sector and region-of-origin factors seem to stimulate their internationalisation. These 'soft' factors are inter-related and they reflect recently emerging trends, including, for example, the increasing importance of linkages with the lucrative supply systems and value chain network of larger global players to SME internationalisation.

- The support provision of the reviewed economies generally include a range of measures for redressing observed financial, informational, contactual and managerial knowledge-related barriers to SME internationalisation. Support programs seeking to respond to the observed top drivers and motivations for SME internationalisation are also in evidence. Some overlap was observed regarding assistance provision for barriers and motivations, which is understandable given that support measures targeted at redressing internationalisation barriers may also serve to stimulate internationalisation among SMEs.

- There is an increasing tendency to take a sub-national approach to promoting SME internationalisation within several countries, including Australia, Czech Republic, Germany, Greece, Hungary, Italy, and USA. Regional initiatives to redress SME internationalisation barriers and facilitate access to priority international markets are also evident, notably within the European Union. Greece, Hungary, Spain, South Africa are a few examples of economies with sector-specific initiatives.

The above summary findings underpin the following set of conclusions and recommendations:

- The continuing salience of the previously identified top barriers to SME internationalisation challenges policy makers and executors to intensify ongoing efforts at removing these resilient barriers, specifically limitations in finance and related resources, international contacts, and relevant managerial knowledge.

- The persisting low user-level perceptions of public sector support programs call for the modelling of the process of introducing specific support programs after the new product development framework. This typically requires different but iterative levels of idea generation and multi-stage screening and evaluations, and centrally involves the target user and other key stakeholders.

- Serious attention should be given to the organised private sector-led model of SME internationalisation support provision. For example, the organised private sector, including the Chamber of Commerce network, could have greater involvement in designing and providing SME internationalisation support. This is given the concerns of take up rates and the success of such partnership in countries such as Finland.

- Internationalisation support agencies are urged to rigorously audit their web presence and accessibility with a view to ensuring a level of visibility and awareness comparable to the best practice examples in their 'industry'. Easy and active links to accessible and relevant support programs of supra-national organisations, such as the European Commission, the United Nations, the World Bank, could be beneficial.

- Overall, policy makers need to address the following questions, among others: do we have the appropriate support measures to address the specific set of top barriers identified? If so, are the target SMEs sufficiently aware of them? How well does our support provision compare with international best practice? How responsive is this support provision to any observed sub-national or sectoral aspects of the perceived barriers? Are they appropriately visible online? What do we know regarding target users' perceptions of our support provision? What about non-users' perceptions? What actions are needed to improve awareness and perceived usefulness of our support programs for SME internationalisation?

- Based on examples of good practice and successful methodologies, a questionnaire survey and case study approach is best placed to provide deeper insights into the challenges facing the international SME. The main focus of such future investigation should be on establishing how existing government provision is viewed by the intended beneficiaries, and identifying key perceived gaps and required changes from the perspective of user SMEs. These insights could then allow for an analysis of the appropriateness and effectiveness of the relevant government internationalisation support programs.

I. INTRODUCTION

Internationalisation and international entrepreneurship among small and medium-sized enterprises (SMEs) has remained a topic of considerable contemporary relevance, principally owing to the observed growth effects of cross-border venturing, and the demonstrated capacity of SMEs to drive economic development at national, regional, and global levels (European Commission, 2007). This realisation was at the heart of the 2007 OECD-APEC study on Removing Barriers to SME Access to International Markets, which provided general findings on the major barriers to SME internationalisation as perceived by SMEs and policymakers in OECD and APEC member economies.[1] The need to obtain a greater depth of understanding and an updated view of the issues raised by the OECD-APEC study provided a *raison d'être* for this follow-up project. Other value adding features include the additional focus on motivations for SME internationalisation; the coverage of recently available documentation from economies involved in the OECD enlargement (Chile, Estonia, Israel, Russia, and Slovenia) and enhanced engagement process (Brazil, China, India, Indonesia, and South Africa); and the sub-national and sectoral insights offered on SME internationalisation barriers, motivations and support programs.

The specific objectives of this report are as follows:

i. To analyse in-depth the most significant barriers to SME internationalisation identified from the 2007 OECD-APEC sponsored research on this theme, with a view to uncovering new insights into the nature of these top barriers;

ii. To review recent work pertaining to factors that drive or motivate the internationalisation of SMEs; and

iii. To develop a deeper understanding of the current programs for SME internationalisation, particularly the specific measures aimed at addressing the top barriers identified.

To ensure a greater depth of understanding on SME internationalisation barriers, this study focused on the top four barriers identified by the OECD-APEC study as being by far and away the most serious impediments to SME internationalisation (see Table 1). These include 1) Shortage of working capital to finance exports; 2) Identifying foreign business opportunities; 3) Limited information to locate/analyse markets; and 4) Inability to contact potential overseas customers. A fifth barrier, 'lack of managerial time, skills and knowledge', is additionally examined. The reasoning is threefold: one, this reflects the importance of this barrier in the Member Economy survey (see Table 2); two, the consistently highlighted primacy of managerial factors in previous relevant global surveys; and three, the widely acknowledged importance of skilled human resources in all areas of economic activity, including market innovation.

To provide an updated appreciation of pertinent aspects of SME internationalisation, the report reviewed the post OECD-APEC survey evidence on the top barriers, drivers and support programs across OECD and APEC member economies and other economies involved in the OECD enlargement and enhanced engagement processes. This has yielded important longitudinal insights, thereby indicating that support programs are appropriately focused on the most resilient and enduring of the factors affecting SME internationalisation.

[1] The OECD-APEC study on Removing Barriers to SME Access to International Market, which was carried out between 2005 and 2006, included two surveys: one among OECD and APEC member economy policy makers and one for SMEs on their perception of the barriers to SME internationalisation.

Table 1. Barriers ranked by SMEs using the top ten ranking method

Rank – Weighted factor	Description of barrier
1	Shortage of working capital to finance exports
2	Identifying foreign business opportunities
3	Limited information to locate/analyse markets
4	Inability to contact potential overseas customers
5	Obtaining reliable foreign representation
6	Lack of managerial time to deal with internationalisation
7	Inadequate quantity of and/or untrained personnel for internationalisation
8	Difficulty in matching competitors' prices
9	Lack of home government assistance/incentives
10	Excessive transportation costs

Source: OECD-APEC 2007

Table 2. Barriers ranked by Member Economies using the top ten ranking method

Rank – Weighted factor	Description of barrier
1	Inadequate quantity of and/or untrained personnel for internationalisation
2	Shortage of working capital to finance exports
3	Limited information to locate/analyse markets
4	Identifying foreign business opportunities
5	Lack of managerial time to deal with internationalisation
6	Inability to contact potential overseas customers
7	Developing new products for foreign markets
8	Unfamiliar foreign business practices
9	Unfamiliar exporting procedures/paperwork
10	Meeting export product quality/standards/ specifications.

Source: OECD-APEC 2007

The remainder of this report is organised in five sections, respectively dealing with: SME internationalisation barriers; motivations for SME internationalisation; support programs for SME internationalisation; methodologies for researching SME internationalisation; and conclusions and implications.

II. SME INTERNATIONALISATION BARRIERS

Several firm-level surveys investigating barriers to SME internationalisation have been undertaken by private individuals and public organisations in OECD, APEC and other economies involved in the OECD enlargement and enhanced engagement processes since the 2007 OECD-APEC study.

The specific OECD countries covered by the investigations include Australia, Canada, Finland, Ireland, Korea, Spain, Sweden, Turkey, UK, and USA. China, India, Indonesia, Russia, and South Africa are the non-OECD member countries investigated. A few of these studies offered sectoral perspectives on barriers to SME internationalisation.

Table 3 below, outlines the countries covered, the top barriers identified, and the authors involved.

Table 3. Recent Research Findings on SME Internationalisation Barriers

Country	Barrier*	Author/s
Australia	1, 3	EFIC, 2008
Canada	1	Riding et al., 2007
Finland	1, 5	Ojala and Tyrväinen, 2007
Ireland and India	1	Terjesan, O'Gorman and Acs, 2008
Korea	5	Suh et al., 2008
Spain	1	Lopez, 2007
Sweden	1	Rundh, 2007
Turkey	1, 4	Ozkanli, Benek and Akdeve, 2006
UK	4	Barnes et al., 2006
UK	4, 5	Crick, 2007
UK	4	Kneller and Pisu, 2007
USA and Canada	5	UPS, 2007
China	1	Zhang, Sarker and Sarker, 2008
India and USA	5	Smith, Gregiou and Lu, 2006
India	5	Vivekanandan and Rajendran, 2006
Indonesia	1	Wengel and Rodriguez, 2006
Russia	1, 4, 5	IBF/GDSI, 2008
South Africa	1,5	AMSCO, 2006

* 1) Shortage of working capital to finance exports; 2) Identifying foreign business opportunities; 3) Limited information to locate/analyse markets; and 4) Inability to contact potential overseas customers; and 5) Lack of managerial time, skills and knowledge.

A review of the evidence from the above-listed studies suggests the following findings regarding the top ranked barriers to the internationalisation of SMEs:

Shortage of working capital to finance exports. Limitations in finance and related physical resources have continued to be highlighted as a leading barrier to the internationalisation of SMEs. The pertinent evidence include the observed disadvantages faced by Canadian international new ventures or early-stage SME exporters, relative to their more established counterparts, in regard to accessing operating and term loans and the terms thereof. A similar primacy of financing barrier was reported by Australian businesses planning their first international operations. Lack of capital requirements and other firm resources and limited access to key infrastructure were also reported by SMEs recently investigated in China, Finland, India, Indonesia, Ireland, Russia, South Africa, Spain, Sweden, and Turkey.

Limited information to locate/analyse markets. Inadequate knowledge of overseas market also emerged as a top barrier in a recent study of Australian firms (EFIC, 2008). This factor was highlighted as the most cited internationalisation barrier among the responding firms, suggesting that information gaps remain a critical challenge to SMEs even in the current era of extensive information availability.

Inability to contact potential overseas customers. Recent surveys also reinforce the importance of this barrier. Among the studies reporting relevant evidence are separate UK research by Crick (2007), Barnes and colleagues (2006), and Kneller and Pisu (2007). Crick (2007) highlighted the difficulty of locating/obtaining adequate representation in target export markets while the other two studies identified finding an appropriate foreign market partner as a key impediment to the internationalisation of the SMEs studied. A survey of Swedish exporters by Rundh (2007) also reported the difficulty of gaining access to a suitable distribution channel in international markets.

Lack of managerial time, skills and knowledge. Difficulties arising from limited managerial knowledge base emerged as a top barrier to SME internationalisation in several recent surveys. A study of American and Canadian firms, for example, reported that managerial risk perceptions and lack of knowledge about international markets were major reasons for not engaging in international trade (UPS, 2007). Limitations in managers' internationalisation knowledge similarly emerged as a leading obstacle to export initiation among the Russian and South African SMEs studied by IBF International Consulting (2008) and AMSCO (2006) respectively. Differences in managerial perceptions among American and Indian engineering firms were also found by Smith et al. (2006) to account for the observed variations in exporting activity. Further research among Korean and Spanish SMEs similarly highlighted the salience of experiential/international market knowledge in explaining the internationalisation process of SMEs. Other studies that alluded to the intensity of managers' perceptual/psychological barriers to internationalisation include Crick (2007) and Vivekanandan and Rajendran (2006).

The foregoing analysis points to the continuing criticality of barriers such as limited firm resources, managers' misperceptions and lack of international market-related knowledge in impacting SME internationalisation. These barriers are largely internal as they mainly reflect the limitations of the investigated firms in regard to the key resources and capabilities they need to internationalise or further their activities thereof. This conclusion on the primacy of firm-specific resource barriers appears to have validity across sectors – from traditional industries like knitwear apparel to high-technology sectors such as software design (see Box 1, below). This highlights the continuing importance of appropriate interventions to support international SMEs (European Commission, 2007).

It should be noted, however, that no recent relevant evidence was uncovered in regard to one of the five barriers, specifically identifying foreign business opportunities.

Box 1. Firm specific resource limitations seem critical whatever the sector

A recent study among Finnish software SMEs concluded that most of the observed barriers are firm-specific and mainly related to firms' resources and capabilities to operate in the market. Another investigation among Indian knitwear apparel exporters also found managerial perceptions of the difficulties associated with international markets to be the biggest barrier to internationalisation of the SMEs studied.

Source: from Ojala and Tyrvairen (2007) and Vivekanandan and Rajendran (2006).

A few additional barriers to SME internationalisation are highlighted in a number of recent surveys, notably administrative and technical difficulties, exchange rate, documentation and payment problems and foreign market competition. However, it is suggested here that these barriers are essentially perceptual/psychological as their overall incidence tends to decrease as firms develop further experiential knowledge in international markets. This is consistent with the dominant theories for explaining SME internationalisation behaviour, notably the stage of development models (Johanson and Vahlne, 1977) and the resource-based viewpoint (Ibeh, 2005; Ibeh and Wheeler, 2005). This centrality of knowledge is also reinforced by research evidence on born global firms and accelerated internationalising SMEs, most of which tend to rely on critical knowledge assets or belong to the knowledge-based and knowledge intensive sectors (Harris and Li, 2005).

Overall, the present review and analysis of recent relevant evidence suggests that the top barriers to SME internationalisation are largely consistent with the findings of the OECD-APEC 2007 study. Two additional points need to be highlighted. First, there is some indication that firms within certain sectors face particular industry-specific internationalisation barriers – see Box 2 below. Second is the heightened prevalence of resource limitations, particularly of a financial kind, among smaller, newly internationalising firms. This provides continuing justification for the segmentation- or needs-based approach widely adopted by export credit agencies (ECAs) and trade promotion organisations (TPOs). Indeed, the characteristic lack of key resources among SMEs – finance, technology, overseas market access, requisite managerial skills and knowledge - underscores the need for policy thinking to facilitate the increasingly observed trend toward the integration of SMEs into production/supply systems and value chains of larger firms and foreign affiliates. As the recent OECD report on "Enhancing the Role of SMEs in Global Value Chains" observes, these linkages may represent the way for the SME sector, or at least for its segment with the highest growth potential, to access a series of critical missing resources and engage in mutually beneficial relationships (OECD, 2008).

Box 2. Sector-specific barriers for software exports

Research among SME software exporters concluded that some of the entry barriers observed appeared to differ from the findings of earlier investigations, which have mainly involved large manufacturing firms. The sector-specific barriers highlighted relate essentially to the intensive information flow and customisation needs of software products and the localisation needs and requirements of international software markets.

Source : Ojala and Tyrvainen (2007).

III. MOTIVATIONS FOR SME INTERNATIONALISATION

A number of surveys examining the drivers of SME internationalisation have become available from private and public sources across OECD and APEC member economies and some of the countries involved in the OECD enlargement or enhanced engagement process have been undertaken since the completion of the 2007 OECD-APEC study.

The specific OECD economies covered in these recent studies include Australia, Belgium, Canada, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Portugal, Spain, Sweden, UK and USA . The non-OECD member economies investigated are Chile, India and Indonesia. A few of these studies provided sub-national and sectoral insights on motivations for SME internationalisation.

Table 4 below, outlines the countries covered, the main motivations identified, and the authors involved.

Table 4. Recent Research Findings on SME Internationalisation Drivers

Country	Motive/stimulus	Author
Australia	Grow market; control supply chain, reduce cost	EFIC, 2008
Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Spain, Sweden, and UK	Market position; knowledge and relationship search	Kocker and Buhl, 2007
Canada	Growth, management capacity factors, social capital, immigrant links, R&D investment, firm size/age/experience, limited domestic market	Orser *et al.*, 2008
Ireland and India	Knowledge resources	Garvey and Brennan, 2006
Portugal (Azores Islands)	Social networks/ties	Camara and Simoes, 2008
Spain	Managers' previous international experience, firm size/age; regional location; country/regional image	Lopez, 2007
Spain (Catalan region)	Managers' previous international experience, growth and profit expectations, social and business networks, and domestic market saturation/stagnation	Stoian, 2006
Sweden	Growth, managers' previous international experience, unique product or technology, limited domestic market	Rundh 2007
UK	Growth, profits, market size	Barnes *et al.,* 2006
UK	Growth, profit, to reduce dependence on a single or smaller number of markets	Reynolds, 2007
USA	Profits	UPS, 2007

USA	Weak dollar, immigrant links, Internet global reach	Iwata, 2008, USA Today, 2008
USA	Global trade infrastructure	USA Today, 2008
Chile	Firm-specific factors (technology content and size) and sector	Milesi *et al.*, 2007
Indonesia	Firm size/resource base, sector-level export intensity, presence of foreign buyers, and firm export orientation	Wengel and Rodriguez, 2006

A review of the evidence from the above-outlined studies suggests the salience of a number of key motivating factors for SME internationalisation, including growth motives; knowledge-related motives; network/social ties; and domestic/regional market factors.

Growth Motives. Growth opportunities associated with international markets were identified as a key driver of firm internationalisation in several recent studies. Orser et al. (2008), for example, reported that after allowing for the impacts of firm size and sector, Canadian firms whose owners had expressed growth intentions were more than twice as likely to export, than those whose owners did not indicate growth ambitions. The possibility of growth in other markets and increased profit opportunities from international expansion were highlighted as key stimuli for exporting among the Australian, British, Spanish, Swedish, and US firms investigated in recent studies. Firms' overseas venturing decision also seems to be motivated by a need for business growth, profits, an increased market size, a stronger market position, and to reduce dependence on a single or smaller number of markets.

Knowledge-related Motives. Recent research findings suggest that knowledge assets both push and pull SMEs into international markets. The 'push' dimension pertains to the importance of managers' previous international experience and related management capacity factors, as observed in studies among Canadian firms, Spanish firms, and Swedish firms. There are also related findings from a number of OECD countries (Canada, Ireland, and Sweden) and non-OECD economies (Chile, India and Indonesia) on the internationalisation triggering effects of knowledge aspects, including R&D investment, innovation capabilities, unique product or technology, and language skills; and firm resource base, as indicated by such proxies as size, age, and experience. Search for knowledge assets may also pull SMEs into international markets, as suggested by Kocker and Buhl's findings that firms internationalise to obtain missing know-how required to maintain their lead in technological development.

Network/Social Ties and Supply Chain Links. A number of recent studies have highlighted the importance of network/social ties and supply chain links in triggering SMEs' first internationalisation step and extending internationalisation processes. These include research among American, Australian, Canadian and Portuguese businesses. Both North American studies particularly reported the stimulating effect on export activity of firms' soft assets, including social and network capital, some of which may have accrued through managers' immigrant background and associated links. The study among fish exporters from the Azores Islands, an autonomous Portuguese archipelago in the North Atlantic, some 900 miles from the European mainland, highlighted the importance of family and social ties with emigrant communities in global markets in driving SME internationalisation (see Boxes 3 and 4). Kocker and Buhl also observed that taking advantage of collaborative links is a common motive among the firms they investigated across ten OECD countries.

Finally, it is important to mention the value of the linkages back to their birth countries that migrants can bring in arranging exporting opportunities [OECD CFE/SME(2008)5/PART1/REV1].

Box 3. Social Ties Driving Internationalisation for SMEs from Azores Islands, Portugal

A recent study of a small fish exporter from the Azores Islands, an autonomous Portuguese archipelago in the North Atlantic, some 900 miles from the European mainland, offers useful insights on the key drivers of internationalisation for companies based on small islands. It illustrates the critical role of social ties in guiding and supporting island-based SMEs towards successful internationalisation. Often challenged by 'isolation' and distance from the core economies, and by diseconomies of scale and high transportation cost, these SMEs from small islands tend to exhibit relatively low international involvement. The resultant economic weakness associated with such islands often fuels emigration. There is evidence, however, that some island-based SMEs leverage the network of family and social ties existing between those remaining on the islands and those that emigrated to compete in international markets. In the case of the small fish exporter from the Azores Islands investigated by Camara and Simeos (2008), this meant access to major emigrant communities in Canada (British Columbia and Quebec) and the United States (California, Hawaii, Massachusetts, and Rhode Island) among others.

Source: *Camara and Simeos (2008)*

Domestic/Regional Market Drivers. There is also support from recent relevant research on the push effects of firms' limited or stagnating domestic market on internationalisation behaviour. For example, both Rundh and Orser and colleagues found this to be the case based on their respective studies of Swedish and Canadian firms. A regional, or sub-national, dimension was reported by Lopez, who found that Spanish firms from different regions differed significantly in their export tendency, with export propensity increasing in regions with less favourable domestic conditions, local incentives to export and good export infrastructure. The Spanish study also identified the favourable country/region of origin image enjoyed by Spanish agricultural products in international markets as an additional stimulus for the internationalisation of the firms investigated. Recent evidence from Chile and Indonesia further suggests a greater tendency to export among firms from sectors characterised by high levels of export intensity and presence of foreign buyers. The Indonesian finding on the importance of foreign buyers' presence is significant as it reinforces the earlier observed need to boost SMEs' role in global value chains through facilitating their integration into production/supply systems of foreign affiliates of larger firms (OECD, 2008).

Box 4. Perspectives from UK Exporting Healthcare SMEs

A study among UK based SMEs that predominantly manufacture devices for hospitals revealed that business growth, opportunity for greater profit and market size were the prime motivators for exporting. Finding an appropriate distributor or agent was perceived to be the main barrier to exporting. Other major obstacles for these firms included the costs associated with marketing overseas, competing with overseas producers, currency exchange fluctuations, and a lack of market knowledge.

Source: *Barnes et al. (2006)*

The foregoing review of recent relevant evidence suggests the continuing relevance of both internal and external motivations for SME internationalisation. Growth-related factors seem to be a particularly important internal motivator among the SMEs investigated in these recent studies. This reflects the increasing appreciation of the growth opportunities associated with internationalisation among this category of firms. It is interesting to note that in their quest for international market-led growth, SMEs increasingly seem to seek access and integration into the lucrative supply chains of international players. This appears to mitigate some of the resource-related impediments associated with SME internationalisation (OECD, 2008). As noted by an example in a recent report, where Danish, Dutch, Finnish, Norwegian and Swedish enterprises form part of a global value chain and where these firms frequently gain business due to sourcing from abroad (Statistics Denmark, 2008). Another equally important endogenous motivation is the possession of critical resource factors, including knowledge resources and capabilities, by the investigated SMEs. These resource-related factors typically take different forms, with those pertaining to managers' internationalisation knowledge and firms' innovation, technological and relational capabilities seeming to be most influential. Reflecting their status as social entities, SMEs are also motivated in their internationalisation decisions by factors within their external environment, including networks and supply chain links, social ties, and the sector and region to which they belong. Of particular salience is the observed importance of firm's sectoral and regional origin, as is the reported increasing relevance of network/social ties, and immigrant links in SME internationalisation. These findings, indeed, raise the question of whether, and the extent to which, these drivers of SME internationalisation behaviour are factored into government support provision.

IV. SUPPORT PROGRAMS FOR SME INTERNATIONALISATION

Reflecting the widespread recognition of the importance of internationally-active SMEs in sub-national/regional, national, and global economies, there has been a rather well established tradition by public agencies and the organised private sector institutions of supporting the internationalisation activities of SMEs, mainly through appropriate interventions to redress market failures (European Commission 2007). This section examines the extent to which current support programs across OECD countries and other economies involved in the OECD enlargement and enhanced engagement processes appear to address the five top internationalisation barriers highlighted earlier in this report. It also assesses the degree of attention being paid to the identified top motivations for SME internationalisation by currently available support programs.

The specific OECD economies covered include Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, Germany, Greece, Hungary, Italy, Japan, Korea, Mexico, Netherlands, Norway, Poland, Sweden, Switzerland, Turkey, UK, and USA. Brazil, Chile, China, Estonia, India, Indonesia, Israel, Russia, Singapore, Slovenia, and South Africa are the non-OECD member countries reviewed. Sub-national and sectoral insights on these support programs barriers are also explored.

Financial barriers

It would appear, based on the review undertaken, that most OECD countries provide a range of support measures to redress the financial limitations identified as a top barrier to SME internationalisation. Table 5 outlines a sample of programs employed in the focal countries to redress financing barriers. Most of these interventions comply with the OECD requirement that they be deployed to correct observed market failures and are mainly medium and longer term export credits (over two years) rather than shorter term credits (under two years), which are not allowed amongst EU member states. They are also aimed at complementing the facilities available through normal market channels[2], including venture capital funding[3] and through development financing provided by such institutions as the World Bank/IFC, European Investment Funds[4], etc.

Available support takes a variety of forms, including export credit guarantees, pre-shipment financing, and working capital augmenting facilities. Australia's export credit agency, Export Finance and Insurance Corporation (EFIC) for example, recently introduced the 'EFIC Headway', which increases access of SME exporters to working capital by up to 20%, by guaranteeing additional facilities offered by banks beyond agreed loan capacity. Trade Development Canada also provides a range of facilities, including Working Capital and Export ease programs, 'Export Protect', pre-shipment financing, and Masters Accounts Receivables Guarantee to support export activities among Canadian SMEs. The level of support provision for SME internationalisation appears to be similarly strong in the non-OECD economies reviewed, including Chile, Israel and South Africa. In Russia, the Chamber of Commerce Network is involved in developing the SME export support program (see Box 5 for other examples of the role of Chambers of Commerce network in promoting SME internationalisation).

Box 5. Chambers of Commerce network and SME internationalisation Promotion

The network of ***Austrian Chambers of Commerce*** collaborates with the Austrian Government in executing the 'Go International' programs. This attracts an annual budget of EUR 80 million allocated over 32 different sector related sub-programs, with main areas of focus, including export motivation, human resources and know-how, business opportunities and partners and creation of positive conditions on foreign markets.

The ***French Chambers of Commerce*** support its SMEs and others with a wide variety of services, including market research, expert advice, prospecting clients and training sessions financed by the government.

Unioncamere, Italy's national Chamber, coordinates the provision of information resources such as the exchange of best practices and other promotional and awareness activities.

The ***Spanish and Dutch Chambers of Commerce*** respectively deliver the Spanish PIPE and the Dutch PSB programs, with facilities covering various advisory and financial support activities. These centrally organised but regionally delivered programs are adjudged as having the most transparent objectives, criteria, procedures for awarding finance to SMEs submitting export plan-based applications.

Source : IBF/GDSI (2008)

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2 A consortium of seven large Italian banks recently created a € 300-million fund to support Italian SMEs in their expansion activities (Business Line, 2007).

3 A recent report suggests venture capital firms from the more advanced economies, notably the USA, are increasing their investments in hot entrepreneurs and new technology start-ups not only in the USA, but also in India, China, and other countries (USA, 2008).

4 One example is the "Joint European Resources for Micro and Medium Enterprises" or JEREMIE, that is set up to provide guarantees for loans as well as equity and venture capital finance to SMEs in less developed regions.

Table 5. Sample Programs for Redressing Financing Barriers to SME Internationalisation

Country	Program
Australia	EFIC provides structured finance and insurance solutions and risk management services. EFIC Headway guarantees additional bank facilities for SME exporters. They also provide bonding facilities, including those targeted at priority markets like the USA.
Austria	Osterreichischer Exportfonds BmbH provides facilities for financing short-term exports of smaller firms.
Belgium	Ducroire D/cover provides coverage for SME exports within the EU, Norway and Switzerland.
Canada	Export Development Canada (EDC) provides a range of financing, insurance and bonding solutions to Canadian SME exporters, including working capital and pre-shipment financing, and masters accounts receivables guarantees.
Czech Republic	The Export Guarantee and Insurance Corporation (EGAP) and its subsidiary, KUP, provide specially tailored insurance facilities to support SME exports. The Czech Government also offers long term soft loans to exporters.
Finland	The Finnish Ministry of Trade and Industry provides financing and guarantees to support SME working capital needs and internationalisation efforts.
Germany	The German Federal Government provides credit guarantee scheme, Hermes cover, for SME exports.
Greece	Export Credit Guarantee Organisation covers Greek exporters and foreign buyers of Greek exports against commercial and political risks of non-payment.
Hungary	*Eximbank* provides export-credit guarantees for export loans and insures against exchange risks. Also facilitates working capital for SME exports and pre-shipment export financing.
Italy	The Ministry of Foreign Trade provides insurance and financing schemes for export activities, including soft loans for export activities by companies in Southern Italy. In collaboration with another agency, Mediocredito Central, it also offers export insurance and guarantees and issues loans for exporting outside the EEC.
Japan	Provides export credit insurance for SMEs receivables. This insurance can also be used as collateral for bank loans and is available at banks under contract with Nippon Export and Investment Insurance (NEXI).
Korea	The SME Export Credit Group of Korea's Export-Import Bank has special provisions for SME export-related loans.
Mexico	Provides export credit guarantee scheme for small businesses.
Netherlands	Agency for International Business and Co-operation, EVD, provides financial support and information on financing available from the private financial sector, the State, the EU and multilateral institutions.
Norway	The Norwegian Guarantee Institute for Exports (GIEK) offers simplified procedures and documentation for SME export credits.
Poland	The Export Credit Insurance Corporation (Kuke) has special provisions for SME exporters, e.g. the Easy Export guarantee-insurance program aimed at exporters that are unable to provide banks with appropriate collateral to finance an export contract.
Sweden	The Swedish Export Credit Corporation (SEK) grants export credits at subsidised and concessionary rates to SMEs.

Switzerland	Geschaftsstelle fur die Exportriskogarantie (ERG) offers underwriting services to SMEs.
Turkey	Export Credit Bank of Turkey supports exporters with credit programs, export finance, and export receivables discount services. It also provides cover for Turkish exporters, against commercial and political risks by offering variety of insurance programs.
UK	The Export Credits Guarantee Department provides insurance to UK exporters against non-payment by their overseas buyers and guarantees bank loans to facilitate the provision of finance to overseas buyers of UK goods and services.
USA	The Small Business Administration (SBA) and Export-Import Bank provides backing for working capital loans aimed at enabling small business exporters to fulfil export contracts. It also offers credits to overseas buyers of US goods, insures SME exporters against non-payment, and provides structured financial solutions for perceived risks in particular foreign markets, e.g. Latin America.
Brazil	APEX-Brasil, a private and independent agency linked to the Ministry of Development, Industry and Foreign Trade (Ministerio do Desenvolvimentio Industria e Comercio Exterior), provides financial support to SMEs.
Chile	Provides pre- and post shipment export credits and insurance to exporters
Estonia	The Credit and Export Guarantee Fund, “KredEx”, provides export financing to SMEs and insures them against export-related credit risks.
Hong Kong, China	The Hong Kong Export Credit Insurance Corporation offers a loan guarantee scheme for SMEs. Support is also provided through the SME Export Marketing Fund.
India	EXIM Bank offers direct financial assistance, term finance for expansion of production capacity for exports, and export development, buyer's credit, pre- shipment financing, etc.
Israel	The Israeli Export Insurance Corp. Ltd. (ASHRA) provides Israeli exporters with a range of advanced insurance solutions, enabling them to mitigate risks and raise financing.
Russia	The Russian Ministry for Economic Development offers additional financial backing for regions that apply for state funds for SME support.
Singapore	The SME Access Loan program spearheaded by government agencies, and administered by the city-state’s largest bank, DBS, help Singapore SMEs to expand overseas by securing loans provided to them.
Slovenia	The Slovenia Export and Development Bank provide export financing, including working capital support, export credit insurance and guarantees.
South Africa	The Export Credit Finance Guarantee Scheme provides substantial export credit insurance to SMEs. The Export Marketing and Investment Assistance (EMIA) scheme offers exporters financial assistance for costs involved in developing export markets, including market research, trade missions, and international exhibitions. Credit financing for exporters of capital goods is also available through the Industrial Development Corporation or private sector merchant banks at reduced rates.

Source: Adapted from various sources

Informational and contact barriers

A range of support programs are also available to tackle critical SME internationalisation barriers such as identifying foreign business opportunities, locating or analysing markets, and contacting potential overseas customers and partners (see Table 6.). Among these are the UK Trade and Investment’s Passport to Export service (a hand-holding in-market service for ‘new to export’ or inexperienced exporters) and the Overseas Market Introduction Service (OMIS), an internet based service for individual ‘new to market’ exporters to conduct personalised research at overseas offices. International Trade Canada’s Trade Commissioner Services also draws on its 500 officers in more than 140 cities worldwide in helping SME exporters to assess export potential, identify key foreign contacts, and obtain relevant advice and intelligence. The Dutch Agency for International Business and Co-operation, EVD, also leverages its worldwide network of embassies and business support offices abroad to provide Dutch SMEs with quick and easy access to business and government contacts in foreign markets. APEX-Brasil, a private and independent agency linked to Ministry of Development, Industry and Foreign Trade (MDIC), assists Brazilian SMEs in analysing export markets and identifying export potential. Several examples of targeted export market drive were further observed, including Australia's Austrade's focus on the US market and Italy and France's campaigns in the Indian market.

Table 6. Sample Support Programs for Redressing Informational and Contact Barriers to SME Internationalisation

Country	Program
Australia	Export Market Development Grants scheme reimburses up to 50% of eligible export promotion expenses above a threshold of A$15,000. Austrade's New Exporter Development Program, delivered through Austrade and the Trade start network provides SMEs with expert advice and assistance to launch into export markets. Export Finance and Insurance Corporation (EFIC) also tailors facilities for priority export markets, e.g. US Bonding Line.
Belgium	Provides regularly updated analysis reports on foreign markets to actual and potential exporters.
Canada	Trade Missions of Canada and International Trade Canada's Trade Commissioner Services help assess export potential, identify key foreign contacts, and obtain relevant advice and intelligence for Canadian firms.
Czech Republic	Offers customised assistance to SMEs, particularly in identifying trade partners and developing export alliances. Also offers a one stop customer centre to assist SME exporters with foreign market information and contacts.
Denmark	The Trade Council of Denmark offers assistance for SMEs through its network of representations around the world. The assistance includes market analysis and partner identification and facilitation. The Trade Council also has an export preparation and an export start program as well as a program targeted towards joint export promotion campaigns
Finland	The organised private sector-run Finpro has 53 Trade Centres/Offices in over 40 countries offering consulting advice, trade fair support etc.
France	Ubifrance, the French international business development agency, provides information, consulting and market analysis, and facilitates contacts with international partners. Also has dedicated initiatives for particular markets, e.g. India.
Germany	The 'Globally active initiative' provides assistance, including trade fair and market development support to SMEs. Also offers tailored advisory and information services and Hermes cover to facilitate SMEs' targeting of high-risk countries.
Greece	Hellenic Export Promotion Organisation (HEPO) provides information, advice and training on export markets, including priority markets. It also finances business delegations abroad and promotes traditional Greek exports (e.g. olive oil) and new industries (e.g. high technology).
Hungary	The Investment and Trade Development Agency of Hungary (ITDH) provides customised one stop service, including information about export markets, promotion, and contact facilitation. Promotion of Hungarian working capital exports.

Italy	Supports the export promotion and marketing efforts of SMEs, by providing information, technical assistance and facilitating attendance to international trade-fairs and trade missions.
Japan	Japan External Trade Organisation (JETRO) provides a wide range of export support services to SMEs, including regular market analysis, advisory and consulting services, and foreign trade fair participation assistance.
Netherlands	Agency for International Business and Co-operation (EVD) targets actual and potential international SMEs with customised information, personal guidance and access to worldwide network of business and government contacts.
Switzerland	Swiss Business Hubs in several countries provide information, expert advisory services, trade fair participation service. They also arrange introductions to potential business partners in foreign markets.
UK	UKTrade and Investment provides a wide range of support programs, including the Overseas Market Introduction Service (OMIS) and the Passport to Export program. It also assists the participation of SME exporters in foreign trade fairs.
USA	The Small Business Administration (SBA) provides small businesses with Beginners export guide, which assists them in making international contacts, among other things.
Brazil	APEX-Brasil provides market analysis and export consultancy to SMEs. The Brazilian Micro and Small Business Support Service (SEBRAE) assists SMEs in building export capabilities and facilitates their participation in foreign business meetings.
Chile	Provides a wide range of services to exporters, including information and advice on foreign markets.
Estonia	Enterprise Estonia provides information, consulting and export support to Estonian SMEs.
Israel	Trade representatives from the Ministry of Industry, Trade and Labour (MOITAL) and Ministry of Foreign Affairs based around the world assist Israeli SMEs in locating importers, distributors and agents, and facilitate contacts with local authorities. The Export Insurance Corp. Ltd. (ASHRA) also provides exporters with reliable and regularly updated information on their respective target markets.
South Africa	The Department of Trade and Industry operates regional offices around the world, providing market intelligence and identifying opportunities for South African companies. Sector specialists also offer advice on export processes and procedures.

Source: Adapted from various sources.

Managerial Capacity Barriers

Support programs for addressing internationalisation barriers related with SMEs' limited managerial skills and knowledge are also identified in several countries (see Table 7). Examples of such programs include the 18-month export coaching course offered by UbiFrance, the French Agency for International Business Development; the Export Academy provided by Czech Republic; the 6-month Global Company Development Program offered by the Scottish Enterprise (a sub-national initiative); and the export managers' forum available to Greek SMEs.

Table 7. Sample Support Programs for Redressing Managerial Capacity Barriers to SME Internationalisation

Country	Program
Australia	Austrade's New Exporter Development Program, delivered through Austrade and the TradeStart network helps SME business owners get advice, educational training and the skills needed to start exporting.
Czech Republic	Export Academy provides relevant training and knowledge sharing.
France	UbiFrance offers an innovative 18-month export coaching program.
Greece	Hellenic Organisation of SMEs and Crafts offers training programs to heads of firms and facilitates contacts and co-operation between Greek and foreign firms. Also runs an export managers forum.
UK	The Scottish Enterprise, the Economic Development agency for Scotland, runs the Global Company Development Program, a 6-month program targeted at CEOs and senior management of international SMEs.
Brazil	The Brazilian Micro and Small Business Support Service (SEBRAE) offer training and consultancy to develop foreign trade capabilities of SMEs.
Chile	Chile offers training support to SMEs.
Estonia	Enterprise Estonia (EE) trains SME staff, including managers, on contemporary management methods and provides export information and consultancy on internationalisation.
Hong Kong, China	Hong Kong provides training and development support to SMEs.
Israel	The Ministry of Industry and Trade provides special business training, management support tools and professional advice to SMEs.

Source: Adapted from various sources.

Generic proactive measures to stimulate SME internationalisation

The analysis above has highlighted support provision for redressing the previously identified top five barriers for SME internationalisation. The review now turns to the more generic proactive measures used by governments to stimulate international activity among SMEs (see Table 8). These major motivating factors have been identified in Section three as including growth motivations, knowledge-related motives, network/social drivers and domestic/regional environment drivers. It should be noted that some of the support programs aimed at redressing the barriers to SME internationalisation may also serve to stimulate international activities among SMEs. There is little doubt, for example, that support programs aimed at redressing limited managerial capacity among SMEs, a top five barrier, may also have the proactive effect of equipping SME business owners or managers with key internationalisation-promoting skills and attributes, including growth orientation, an important motivating factor. It is also the case that support programs directed at mitigating SMEs' characteristic lack of contacts with foreign market partners may have a dual positive effect of giving them access to valuable network links, an important internationalisation driver.

The present analysis has identified some support programs that may respond to these internationalisation stimulating factors. For example, Brazil's assistance program to improve the technological capabilities of export-oriented SMEs and the UKTI's work with innovative SMEs to boost the latter's R&D output and identify adaptations that might enhance product suitability for new overseas markets appear to be good programs that recognise the salience of knowledge-related motives. The support for developing alliances and networks by Czech, French and Spanish agencies also seems to reflect the observed importance of network and supply chain links and social ties in stimulating SME internationalisation. Australia's Tradesmart program of assistance for export innovation in regional areas, where exporter numbers are reportedly growing at triple the rate of their metropolitan counterparts, further appears to reflect the observed salience of regional factors in stimulating SME internationalisation.

Table 8. Sample Support Programs for Stimulating SME Internationalisation

Nature of Motivation	Program
Growth-related motives	The European Investment Fund "start-up facility", part of the European Technology Facility (ETF), invests in venture capital funds that finance innovative and high-growth companies during their first five years.
Knowledge-related motives	Brazil's PROGEX offers export technology support program aimed at improving the technological capabilities of export-oriented SMEs. UKTI International Trade advisers in the English regions work with innovative SMEs to boost R&D output and identify adaptations that might make a product suitable for new overseas markets.
Network/Social drivers	Relevant agencies in the Czech Republic (The Ministry of Industry and Trade, CzechTrade, EGAP and the ČEB) and Spain (ICEX) support SME exporters to develop export alliances and networks. UBIFRANCE in collaboration with the French Embassy in India, and the Federation of Indian Chambers of Commerce and Industry (FICCI) recently organised an Indo-French Business meeting of 150 French SMEs and 1000 Indian companies aimed at activating relationships among SMEs from both countries.
Domestic/regional market drivers	Austrade's Tradestart network assists export innovation in regional areas, where exporter numbers are reportedly growing at triple the rate of their metropolitan counterparts.

Source: Adapted from various sources.

Sub-national approach to promoting SME internationalisation

A sub-national/regional approach to promoting SME internationalisation seems to be adopted in several countries, including Australia, Czech Republic, Estonia, Germany, Greece, Hungary, Italy, Russia, UK, EU and USA – see Box 6. Australia has eight export hubs in key locations, with support packages appropriately tailored to the circumstances in the respective regions, e.g. EFIC partners with Chamber of Commerce in Western Australia. The Czech Republic promotes awareness of their services within the different regions via the network of economic chambers, and the UKTI encourages "New To Market" exporters to approach advisory teams within the different English regions while the Scottish Enterprise provides related support services within Scotland. The Italian Government tends to distinguish between Northern, Central and Southern Italy, with firms from the South normally receiving soft loans for export activities. The European Commission's Joint European Resources for Micro and Medium Enterprises or JEREMIE, similarly supports SMEs in less developed European regions, by providing guarantees for loans as well as equity and venture capital finance to SMEs. The EU Gateway to Japan campaign and is another example of a European-wide initiative to support SME export access to a priority international market.

Box 6. Sub-national/Regional Approach to SME Internationalisation Support

The **Australian** Government has committed A$23.3 million over four years to continue the successful TradeStart network, which, among other things, assists export innovation in regional areas, where exporter numbers are growing at three times the rate of their metropolitan counterparts and where exports account for one in four of all jobs Eight Export Hubs in key locations have been established to offer local businesses a one-stop shop for trade and industry assistance from Austrade and AusIndustry. This blend of industry development and export support is deemed particularly useful to regional innovators seeking to do business on the world stage, whilst benefiting their communities in the process.

The **Italian** Government has always made an important distinction between regions where companies are located, namely between Northern, Central and Southern Italy. This reflects the marked variations observed in the structure and size of SMEs from one area to the other, including the severe problems found in Southern Italy. The Structural Funds Reform of 1988 renewed in 1993, established priority objectives, including the "development and structural adjustment of regions at low development rate" and the "conversion of regions or parts of regions severely affected by industrial decline". These regions tend to be dominated by small firms and are particularly affected by Italian policy for small firms. Among the key thrusts of this policy are to seek, within EC rules, to reduce disadvantages of small-scale production ,by assisting in the stabilisation or improvement of SMEs' position in foreign markets and in the internationalisation and development of foreign trade. In close cooperation with the Italian Institute for Foreign Trade, the Italian government offers eight multi-level regional support programs – among which an export finance fund of EUR 50 million - and additionally finances feasibility studies and the search and selection of export experts.

A key objective of the **Estonian** national policy for SME development is balanced regional development. Thirteen regional groups are identified and objective(s) and specific support measures are defined for every subgroup. Although "Enterprise Estonia" and "KredEx" have the overall responsibility for implementing most of the measures, regional business centres and the Ministry of Economic Affairs also play important roles in delivering the support programs to SMEs.

The **Russian** Ministry for Economic Development operates a national export support facility, which involves providing additional financial backing for regions that apply for state funds to assist their SMEs. The uptake for this facility among the Russian regions, however, appears to be low. Only 18 of 83 regions (21%) implemented activities to support export-oriented SMEs using regional and national funding in 2006, implying that in nearly 80% of the regions, SMEs did not receive any support for their internationalisation activities.

Source: Adapted from various websites.

Sectoral focus

The analysis also revealed a focus on prioritising and targeting certain sectors in countries such as Czech Republic, Greece, Hungary, Israel, Japan, South Africa and Spain. Examples include the Hellenic Export Promotion Organisation's promotion of traditional Greek exports (e.g. olive oil) and new industries, specifically the high technology sector and the highlighted support for services export by the Czech Republic. Japan's External Trade Organisation (JETRO) also actively promotes export growth in five high potential industries, namely machines/equipment and parts, fashions and apparel, design, including regional traditional arts and crafts, and food, including agriculture and fishery. Israel and South Africa similarly appear to target particular export sectors – see Box7, below. Overall, it should be observed that while the foregoing review suggests a good variety of seemingly relevant internationalisation support programs, user-level perceptions of the effectiveness of the public sector support provision remain generally low (Ibeh, 2006; Wheeler, Ibeh, and Dimitratos, 2008).

Box 7. Sectoral Focus on SME Internationalisation Support

Japan's External Trade Organisation (JETRO) channels priority export support to a number of high potential industries selected based on requests from industry and producer organisations. These include machines/equipment & parts, textiles (fashion, apparel), design (regional traditional arts & crafts), and foods and content. JETRO also offers support and assistance, including foreign market surveys, help with attending trade fairs / exhibitions and connections with potential business partners overseas, to manufacturers in the agricultural and fishery sector seeking to expand overseas. This is to facilitate the achievement of the Japanese government's target of boosting exports within this sector to 10 trillion yen by 2013.

South Africa's Department of Trade and Industry (DTI) focuses on promoting sectors that have exhibited the greatest growth potential and market prospects, including agro-processing, chemicals, pharmaceuticals and biotechnology, information and communications technology and electronics, textiles, clothing, leather and footwear. The DTI's sector specialists have a clear understanding of, and access to, the various industries, and are able to provide advice on all current export processes and procedures. The DTI also promotes the formation of sector-specific export councils in partnership with South African industry. These assist exporters in reaching their targets, and specifically enable small businesses in any sector to access DTI support structure.

Source: Adapted from various websites

V. METHODOLOGIES FOR RESEARCHING SME INTERNATIONALISATION

Important insights into the barriers and motivations for SME internationalisation have been successfully generated from recent studies undertaken in OECD and non-OECD economies using different methodological approaches. The specific methods used include (in no particular order) questionnaire survey with prior telephone interviews; postal questionnaires with follow-up interviews; online questionnaire survey with initial telephone contact; telephone interviews; mail surveys; panel interviews; multiple case studies; single case study; and single case study with interviews of other firms' executives. These data collection methods can be broadly categorised into three areas: quantitative large scale surveys; qualitative case study-based investigations; and some combination of both. Tables 9, 10 and 11 below outline relevant recent studies employing each of the three methodological approaches above. The tables also detail the specific countries covered, the methods employed, the number of SMEs investigated and the authors involved.

Table 9. Quantitative Data Collection Methods used in Recent SME Internationalisation Research

Country	Method	Sample Size	Author
Spain	Cross sectional panel data	55,000 firms	Lopez, 2007
Turkey	Questionnaire survey	170 small firms	Ozkanli, Benek and Akdeve, 2006
UK	Quarterly Performance Impact Monitoring surveys (PIMS) via telephone interviews	2500 firms per year	UKTI, 2006, 2007
UK	Mail survey	112 healthcare SMEs	Barnes et al., 2006
USA	Panel interviews	n/a	UPS, 2007
India, USA	Questionnaire survey	255 service firms; 143 US and 112 Indian firms	Smith et al 2006
India	Mail survey	950 active exporters	Vivekanandan and Rajendran, 2006

Table 10. Qualitative Data Collection Methods used in Recent SME Internationalisation Research

Country	Method	Sample Size	Author
Finland	Multiple case studies	n/a	Ojala and Tyrvainen 2007
Ireland, India	Multiple case studies	n/a	Terjesan, O'Gorman & Acs, 2008
Portugal (Azores Islands)	Single case approach	one	Camara and Simoes, 2008
Spain	Multiple case studies	Four SMEs	Stonian, 2006
Russia	Multiple case studies	n/a	IBF/GDSI, 2008

Table 11. Mixed Methods of Data Collection employed in Recent SME Internationalisation Research

Country	Method	Sample Size	Author
Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Spain, Sweden, and UK	Online questionnaire with initial contact via telephone	91 network managers	Kocker and Buhl, 2008
Canada	computer-assisted telephone interviews followed by a fax-based questionnaire survey	3141 SMEs	Orser, Spence, Riding and Carrington, 2008
Canada	computer-aided telephone interviews followed by a fax-based questionnaire survey	3500 SMEs	Riding et al 2007
Sweden	Questionnaire survey with a priori interviews	212 SMEs	Rundh, 2007
UK	Postal questionnaires and follow-up interviews	446 firms	Crick, 2007

As the tables above show, quantitative large scale surveys, qualitative case studies, and mixed methods have been employed in several recent studies of SME internationalisation. The relative strengths and weaknesses of each of these options are now discussed, as a way of informing a preferred approach for future empirical research in this topic area.

Quantitative surveys (see Table 9) are widely believed to yield more objective, valid and reliable research results (Easterby-Smith et al., 1991). Their typical reliance on larger, more representative, samples is also thought to produce more generalisable results, with better predictive value. They, however, suffer from increasingly low response rates and can be susceptible to measurement errors and use of 'questionable' key informants. Another often cited weakness is that they offer limited scope for longitudinal research (Ibeh, 1998; Kamath et al., 1987).

Qualitative case studies (Table 10) are attributed with generating rich, in-depth and quality data (Easterby-Smith et al., 1991; Miles and Hubermann, 1994; Ghauri, 2004). They have capacity to go beyond the investigated cases to capture new realities, new ideas and theoretical insights on the research question/s (Eisenhardt, 1989; Yin, 1994). Other key strengths of qualitative case studies include their greater suitability for longitudinal studies and for research contexts where the relevant population is not large enough to allow statistical generalisation (Chetty, 1996). Qualitative case studies, however, are widely considered less objective than quantitative approaches, and their typically small sample size exposes them to charges of limited representativeness and generalisability (Miles and Hubermann, 1994; Ghauri, 2004; Ibeh, 2005; Vissak, Ibeh, and Paliwoda, 2007).

The use of mixed methods in the studies listed in Table 11 reflects an attempt to draw on the afore-mentioned strengths of quantitative and qualitative approaches, whilst also minimising their weaknesses (Savage and Black, 1995). This is an increasing trend in SME internationalisation research, which responds to previous calls for greater integration of qualitative research insights to further enrich and clarify quantitative survey results (Kamath et al., 1987; Chetty, 1996; Vissak, Ibeh, and Paliwoda, 2007). Box 8, below, illustrates the use of mixed methods.

Box 8. Illustrating the use of mixed methods in SME Internationalisation Research

Crick (2007) provides a good example of a study that combined a quantitative postal survey with pre- and post survey interviews. Prior to the questionnaire survey, a review was undertaken of the pertinent literature. A series of exploratory interviews were also held with managers, policy makers and academic experts in the topic area. The survey instruments were subsequently posted to suitable targets identified through the FAME database. This returned 446 usable questionnaires, representing an overall response rate of 22 per cent. To further enrich the quantitative data, twenty semi-structured interviews were undertaken. Each of these lasted between one-to-two hours and allowed managers to provide greater depth of insights on the questions explored by the research.

Source: Crick, D. (2007).

Based on the relative strengths and weaknesses of the methodological options identified above, it is proposed that future empirical research to assess the perceptions of government internationalisation support programs among SMEs would involve large scale questionnaire surveys of SMEs in selected countries and regions, to be complemented with a small number of in-depth case studies in each of the participating countries. The selection of these case study subjects will be informed, among other things, by a need to gain insights from SMEs from particular regions and sectors within countries. The rationale for this type of investigation would be to establish how existing government provision is viewed by the intended beneficiaries.

Future research in this area should seek to deliver methodological rigour without sacrificing the invaluable benefits of paradigmatic pluralism. A critical appraisal of methodologies used in recent surveys together with good methodological practice suggests that the most appropriate way of achieving this would be through the selection of a representative sample to provide quantitative and qualitative data respectively through a questionnaire survey and case study research.

VI. CONCLUSIONS AND IMPLICATIONS

This report complements and builds on the OECD-APEC 2007 study on Removing Barriers to SME Access to International Markets in several respects.

- First, it focuses on previously identified top five SME internationalisation barriers and, in so doing, offers richer insights and deeper understanding of the nature of these top barriers.

- Second, it updates extant knowledge on the barriers to the internationalisation of SMEs with fresh insights from new studies undertaken since 2006. This offers a longitudinal perspective, which is generally lacking, and regularly called for, in internationalisation research.

- Third, the report offers recent evidence on the internal and external factors that seem to drive the internationalisation of SMEs.

- Fourth, it presents and discusses currently available support programs for responding to the observed top barriers and motivations across OECD economies. It further highlights the linkages between support provision for the top internationalisation barriers and motivations.

- Fifth, it additionally reviews pertinent evidence and documentation on economies currently involved in the OECD enlargement and enhanced engagement processes.

- Sixth, it offers sub-national and sectoral perspectives on the issues investigated.

- Finally, the report presents and evaluates the methodologies employed in recent empirical work on SME internationalisation barriers and motivations, and makes well justified recommendations regarding the focus and approach for a future empirical study in this topic area.

Barriers. Analysis results suggest that limited firm resources and international contacts as well as lack of requisite managerial knowledge about internationalisation have remained critical constraints to SME internationalisation (see also European Commission, 2007). Also observed are the heightened prevalence of resource limitations, particularly of a financial kind, among smaller, newly internationalising firms and the susceptibility of SMEs particular sectors to certain industry-specific internationalisation barriers. These barriers are essentially endogenous as they reflect the limitations of the investigated firms in regard to the key resources and capabilities they need to internationalise or further their activities thereof. Taken together, the recent findings on top barriers to SME internationalisation reviewed in this report appear largely consistent with the conclusions of the OECD-APEC 2007 study, with one notable divergence: no recent relevant evidence was uncovered in regard to the limiting effect of identifying foreign business opportunities.

Drivers. Analysis also points to the importance of growth and knowledge-related motives in driving SME internationalisation. Growth-related factors seem to be increasingly important to SMEs, which reflects their rising appreciation of the international pathways and associated opportunities for future business growth. These firms' stock of knowledge resources and quest to leverage value augmenting knowledge assets embedded in external actors are also observed as having the effects of respectively pushing and pulling them into international markets. Furthermore, reinforcing their status as social entities, SMEs appear to be motivated in their internationalisation decisions by factors within their external environment, including network and supply chain links, social ties, immigrant links, improved global trade infrastructure, and sector and region-of-origin factors. These 'soft' factors are inter-related and they reflect recently emerging trends. For example, the observed salience of supply chain links captures the increasing importance of linkages with the lucrative supply systems and value chain network of larger global players to SME internationalisation (OECD, 2008). Such internationalisation-boosting links are more likely to be developed in sectors or regions/clusters with greater export intensity or foreign buyers' presence, which suggests the importance of the firm's sector and regional location. However, there is some preliminary evidence in some European countries that growth-focused firms are also squeezed out of their domestic markets by foreign competitors entering the market.

Government support programs. The 2007 OECD-APEC study looked generally across all government support programs aimed at addressing barriers to international markets. This report builds on this past work by focussing on support programs aimed at addressing the top five barriers together with programs developed since 2006. It emerged that the examined economies generally offer a range of support measures, including working capital augmenting facilities, pre-shipment financing, and export credit insurance and guarantees, for redressing observed financial barriers to SME internationalisation. Programs aimed at tackling barriers arising from SMEs' typical lack of international market information and contacts are also available in a variety of forms, including appropriately tailored service for new exporters, market analysis, key contact identification and focused market campaigns. Support provision for redressing SME managers' limited internationalisation knowledge and skills were identified, albeit to a lesser extent than for the other barriers types. The latter is also the case with support programs specifically aimed at motivating SME internationalisation. This can be explained by the overlap between barriers and motivations, which often means that support measures targeted at redressing internationalisation barriers may also serve to stimulate internationalisation among SMEs.

Another key finding pertains to an increasing tendency to take a sub-national or sectoral approach to promoting SME internationalisation within several countries, including Australia, Czech Republic, Germany, Greece, Hungary, Italy, and USA. Regional initiatives to redress SME internationalisation barriers and facilitate access to priority international markets are also evident, notably within the European Union. Greece, Hungary, Japan, Spain, and South Africa are a few examples of economies with sector-focused initiatives.

Recommendations

The observed resilience of most of the previously identified top barriers to SME internationalisation challenges policy makers to intensify ongoing efforts at removing these intractable barriers, specifically limitations in finance and related resources, international contacts, and relevant managerial knowledge. The findings also highlight the continuing importance of appropriate interventions to shore up the financial resource foundations of SMEs (European Commission, 2007). Support provision, at its best, should focus on activating the internal motivations of the SMEs themselves, including their strong quest for growth, profit, market share, and international presence, for it is these types of SMEs who are more likely to be motivated to achieve their international growth aspirations. This provides continuing justification for the segmentation or needs-based approach to targeting internationalisation support (Ibeh, 2006; Leonidou et al., 2007; Wheeler et al., 2008).

The evidence reinforces the importance for managers of public sector internationalisation support programs to have a clear understanding of their target user community (Leonidou et al., 2007). Additionally, it is equally important to deliver best practice support provision, having due regard to the relevant international disciplines and rules, notably those of the European Commission and the World Trade Organisation. Reinventing the wheel must be resisted in favour of appropriate benchmarking of the assistance programs of other comparable economies and sensible adaptation and adjustment to any significant circumstances that are unique to the target SME community.

The persisting low user-level perceptions of the effectiveness of public sector support programs (Ibeh, 2006; Wheeler, Ibeh, and Dimitratos, 2008) raise a number of issues, including the extent to which the specific support programs have user input at the various pre-release stages, the level of awareness of these programs among the target user communities and other stakeholders, and the quality of implementation and delivery of the programs. The first point about the level of user input highlights the need for designers of relevant support programs to model the introduction of specific programs after the new product development process framework, which typically requires different but iterative levels of idea generation and multi-stage screening and evaluations involving the target user and other key stakeholders prior to the far from inevitable full release and commercialisation. Such a fine-grained process may not assure the success and universal acclaim for the subsequently introduced support programs, but would improve their perceived value and relevance to the target users. It would also demonstrate the commitment of the relevant agencies to getting support provision right.

The systematic program development approach envisaged above needs not be unduly expensive. Indeed, it can facilitate overall cost effectiveness through its potential contribution to addressing the questionable level of awareness of available support program among the target users and other key stakeholders and the suspect quality of implementation of these programs. The argument is that investing upfront in involving and communicating with the target users and key stakeholders during the design of the support measures is likely to have positive spill-over effects in terms of awareness that may be created through user-community communication. Such initial commitment of time and effort is likely also to lead to greater understanding and better delivery of the support measures on part of the relevant agencies.

Concerns such as the above probably explain why the organised private sector-led model of providing SME internationalisation support has gained currency in a small number of the examined economies, notably Finland and Russia. The Finnish experience with Finpro partnered by the Ministry of Trade and Industry is a well established example of successful public-private sector partnership in internationalisation support provision. Other economies may wish to study the workings of this partnership with a view to adapting it for their own purposes.

Some additional comments regarding the awareness and visibility of internationalisation support programs are deemed necessary. This is due to the relative difficulty experienced in this present study in obtaining relevant data on the support programs offered by some of the focal economies. The fact that well experienced researchers encountered difficulties in accessing such information suggests that most business people are highly likely to struggle, which may explain the often-heard claim of lack of awareness. Internationalisation support agencies may wish to review their web presence and accessibility and to benchmark their provision against available best practice. Good examples worth emulating include those of the relevant agencies in Australia, Canada, Finland, New Zealand, UK and South Africa, amongst others.

A potentially useful 'must-have' in these websites are easy and active links to the support programs for SME internationalisation provided by supra-national organisations such as the European Commission, the Union Nations, and the World Bank. A great deal of support is freely available and potentially accessible to SMEs and it is important that appropriate information is placed within their reach and brought to their attention. On a slightly broader note, it is crucial to get as many SMEs as possible to buy into the notion of the Internet as a very rich and cost-effective resource to leverage to add value to their business, particularly in terms of boosting their knowledge base on internationalisation and international markets.

Overall, policy makers need to address the following questions, among others:

- Do we have the appropriate support measures to address the specific set of top barriers identified? If so, are the target SMEs sufficiently aware of them?

- How well does our support provision compare with international best practice?

- How responsive is this support provision to any observed sub-national or sectoral aspects of the perceived barriers? Are support programs appropriately visible online?

- What do we know regarding target users' perceptions of our support provision? What about non-users' perceptions?

- What actions are needed to improve awareness and perceived usefulness of our support programs for SME internationalisation?

The above questions require an appropriately designed program of empirical research. In particular, significant value could be added by assessing the perceptions of government internationalisation support programs among SMEs from selected countries and regions. The rationale for this type of investigation, based upon a study recently undertaken by the UKTI, would be to establish how existing government provision is viewed by the intended beneficiaries. The SME survey would seek for example to ask SMEs why they do not use what is on offer, how they would like to amend current programs and what new programs they would like to see developed. The proposed research would involve large scale questionnaire surveys of SMEs in approximately ten countries, to be complemented by a small number of in-depth case studies drawn from the participating countries. The selection of these case study subjects will be informed, among other things, by a need to gain insights from SMEs from particular regions and sectors within countries.

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